



2017 RETIREE HEALTHCARE CHOICES

October 19, 2016

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City of Memphis

MEETING OBJECTIVE AND AGENDA

MEETING OBJECTIVE: TO SHARE AND DISCUSS RETIREE HEALTHCARE OPTIONS

AGENDA

- Retiree Healthcare Objectives
- Healthcare Trends
- Retiree Healthcare Options
- Next Steps

TOP RETIREE HEALTHCARE OBJECTIVES



Affordability & Choice

- Offer healthcare for retirees that provides affordable coverage options and maximum carrier choice



Support

- Support and transition retirees into and through retirement by providing strong advocacy and education.



Competitive

- Craft a retiree healthcare benefit package that attracts and retains city employees.

FY17 OPEB Trust Fund Comparative Analysis

Category Name		FY 2016 Adopted	FY 2017 Proposed	Increase / (Decrease)
Revenues				
Employer Contributions	*	15,986,448	11,016,549	(4,969,899)
Employee Contributions	*	18,360,543	6,530,760	(11,829,783)
Tobacco Surcharge		0	375,840	375,840
Medicare Part-D Reimbursement		750,000	250,000	(500,000)
Transfer In - GF		3,513,552	2,000,000	(1,513,552)
Transfer In - HC		3,001,283	0	(3,001,283)
Contribution From Fund Balance		0	6,103,107	6,103,107
Total Revenues		\$41,611,826	\$26,276,256	(\$15,335,570)
Expenditures				
Personnel Services		413,500	421,475	7,975
Materials & Supplies	*	11,171,645	2,441,474	(8,730,171)
Capital Outlay		0	2,100	2,100
Grants & Subsidies		254,400	290,450	36,050
Claims Expense		29,500,000	22,900,000	(6,600,000)
ACA Expenses		272,281	220,757	(51,524)
Total Expenditures		\$41,611,826	\$26,276,256	(\$15,335,570)
Net Expenditures		\$0	\$0	\$0

Projected deficit, use of fund balance

7.9% equals \$2 M per year for a \$26 Mil budget

* Adopted budget overstated by Cigna pass-through revenue/expense.

FORTUNE, JUNE 21, 2016

“Health care costs are expected to grow 6.5% through next year. . . employers can keep medical cost growth more manageable through various tactics, which often includes some form of cost sharing with plan holders.”

HEALTH BENEFIT COST TRENDS 2016 CONTINUED

Medical plan types for actives and retirees under age 65 are projected to have significantly higher trend rates in 2016 than plans for retirees aged 65 and older.

Actives & Retirees <65



Open-Access PPO/POS Plans



HMOs

Retirees 65+



Medicare Advantage PPOs



Medicare Advantage HMOs

Prescription drug trends are projected to increase substantially for 2016, into the double digits for all types.



Actives & Retirees <65



Retirees 65+



Specialty Drug/
Biotech

2017 RETIREE HEALTHCARE

OPTIONS

A.

Private
Exchange

B.

Mixed
Plan

C.

No
Change

OPTION A: THE PRIVATE EXCHANGE

Choice, Control, Support

- Private Exchange offers multiple plan options – currently Cigna and Humana products
 - Federal subsidy is also offered for eligible participants for public exchange
- Gives employees control to determine best health care option for them
- Benefits counselors available to provide you information

More Money

- Flexible HRA funding options that vary based on retiree group
- Funding can range from \$1,000 to \$5,000

Retiree Spouses Can Return

- Retiree Spouses can obtain insurance through the Private Exchange

Medicare Made Whole

- Post-65 retirees and spouses with Medicare Part A will be enrolled in Part B. The City will pay any annual penalties

Timing

- 3/1/17 implementation for Pre-65 and Medicare retirees
- 7/1/17 implementation for Post-65 retirees rolled into Part B

OPTION A: THE PRIVATE EXCHANGE CONTINUED



YOUR OWN BENEFITS ADVISOR

General education
and unbiased
information

Personalized, one-
on-one telephone
support

Decision-making
support and
enrollment guidance

Ongoing customer
support

OPTION B: MIXED PLAN

- Pre-65 and Medicare retirees maintain their existing plans
- Medicare Part A retirees enroll in Part B and move to the City's Medicare Supplemental and Advantage Plans

OPTION C: NO CHANGE

No change in coverage or coverage choices

No disruption to Medicare retirees

Retiree spouse carveout

No access to newly available options

Rising premiums on par with nationwide cost increases

THE DATA: MONTHLY COST TO RETIREES

(FOR ILLUSTRATIVE PURPOSES ONLY)

		Option A	Option B & C
	2016 City Premiums	2017 Private Exchange Premiums (Estimated)	2017 City Premiums (Estimated)
Pre-65 Retiree (Grandfathered)	\$228	\$660-\$1,100*	\$700 +
Pre-65 Retiree (Non-Grandfathered)	Premier: \$836	\$660-\$1,100*	\$1,200 +
Medicare Supplemental Plans	\$119 to \$152	\$68-\$236*	\$128-\$165
Medicare RX	\$99 to \$177	\$18-\$86*	\$101 to \$218
Medicare Advantage	\$168 to \$195	\$0**	\$185 to \$212

*HRA would offset premiums

**HRA would offset co-pays & deductibles

THE DATA: ANNUAL RETIREE SUBSIDY COMPARISONS

(FOR ILLUSTRATIVE PURPOSES ONLY)

		Option A	Option B & C
	2016 City Subsidies	2017 Private Exchange Subsidies	2017 City Subsidies (Estimated)
Pre-65 Retiree (Grandfathered)	70% of premium plus claims	\$5,000	70% of premium plus claims
Pre-65 Retiree (Non-Grandfathered)	\$0	\$3,500	\$0
Medicare Retirees* Plan F and RX 1	\$1,467	\$1,000	\$1,537
Medicare Advantage*	\$780	\$1,000	\$848

*City pays 25% subsidy

PLAN EFFECTS ON MEDICARE RETIREES

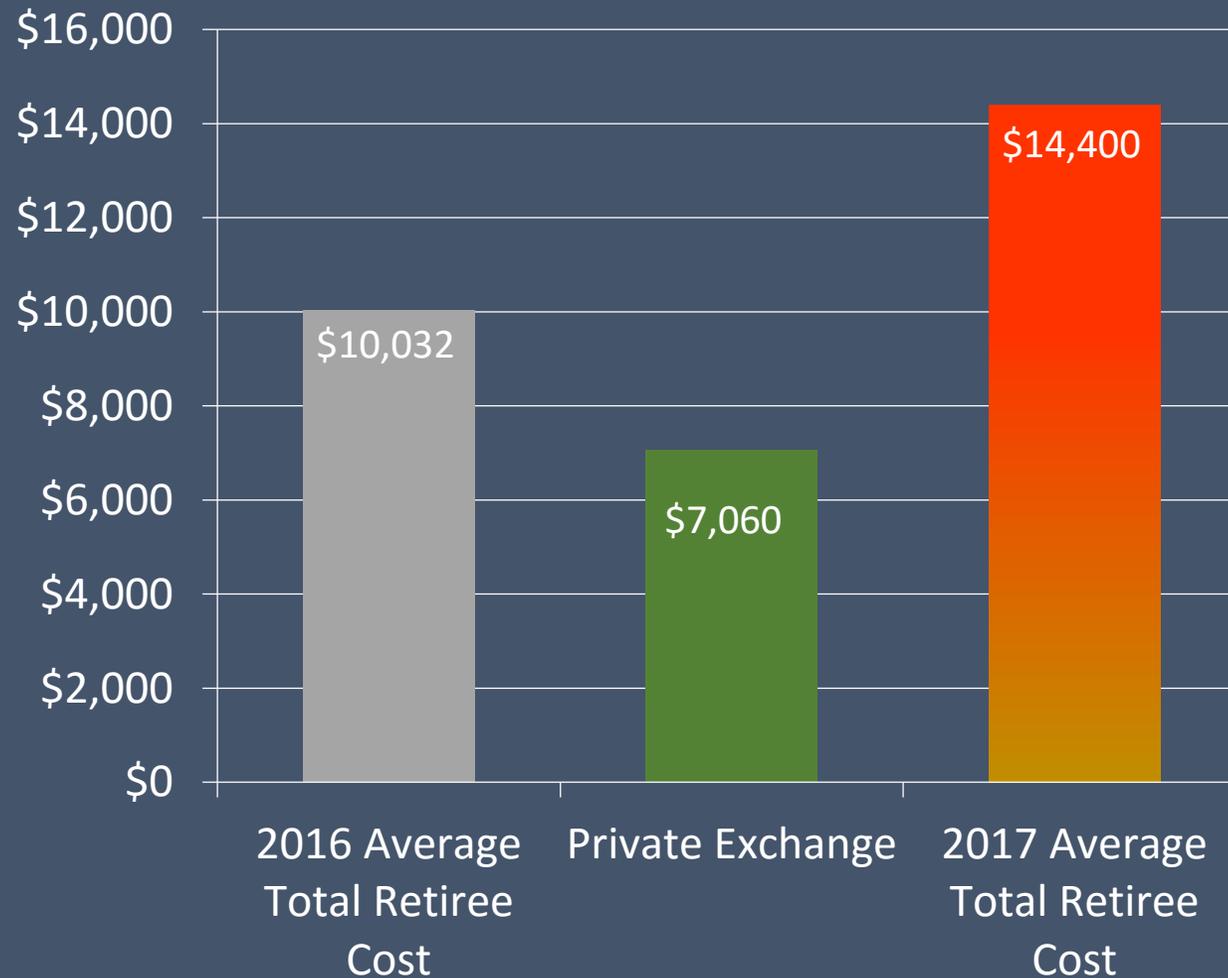
(FOR ILLUSTRATIVE PURPOSES ONLY)

		Option A	Option B & C
	2016 Plan F and RX 1 (Current Package)	Private Exchange Plan F and Part D	2017 Package Plan F and RX 1
Current Annual Premium Cost to Medicare Retiree	\$5,435	\$2,676	\$6,151
City Subsidy	(\$1,467)	(\$1,000)	(\$1,537)
Point of Sale Cost	\$807	\$1,582	\$807
Average Total Retiree Cost	\$4,777	\$3,258	\$5,421

With Private Exchange Retirees can save up to \$2,163 in 2017

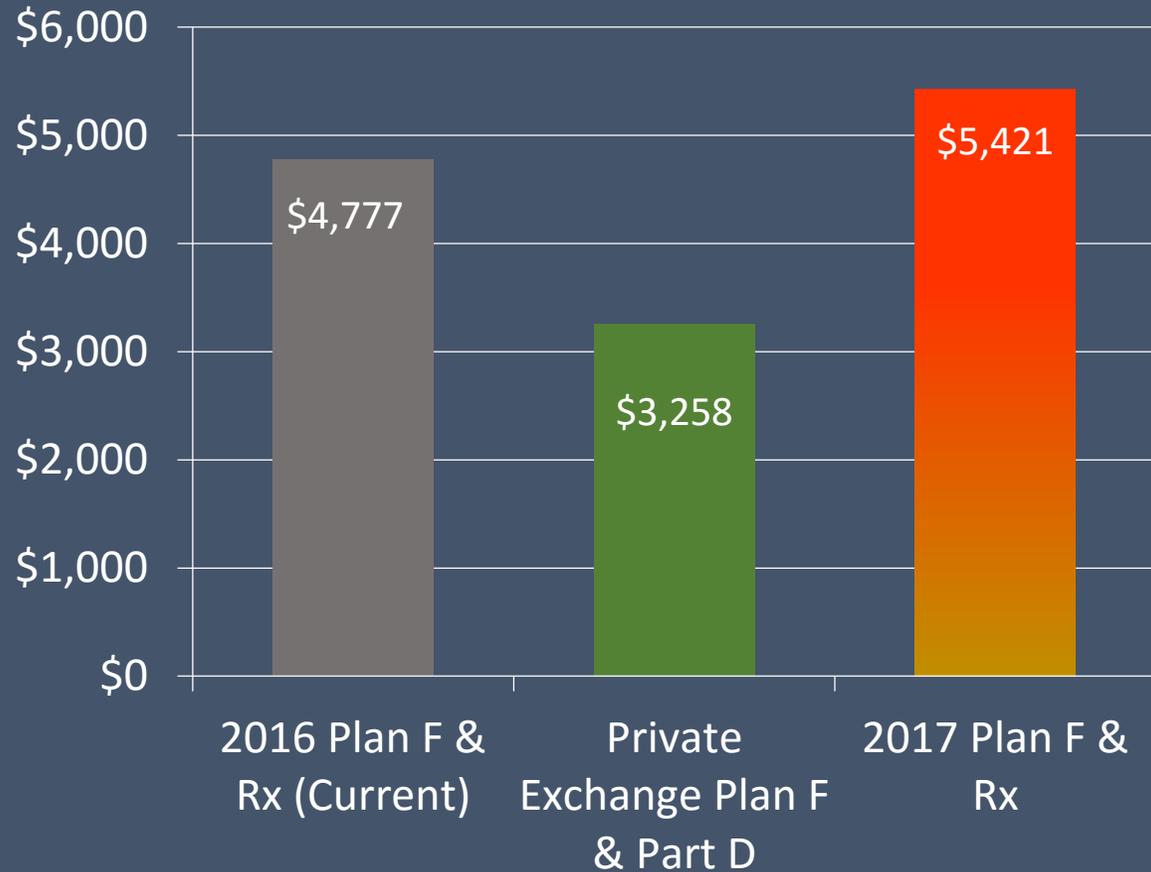
LOWER AVERAGE COST FOR PRE-65, NON-GRANDFATHERED RETIREES

(FOR ILLUSTRATIVE PURPOSES ONLY)



LOWER AVERAGE COST FOR MEDICARE RETIREES

(FOR ILLUSTRATIVE PURPOSES ONLY)



MAKING THE DECISION



Choice

- Are choice options important to your membership?
- The Private Exchange offers multiple plan options.



Control

- Does your membership want to have control over how their health care money is spent?
- The city will support the Private Exchange with an HRA.



Support

- Would your membership like expert advice and information to help them make health care decisions?
- The Private Exchange offers unlimited hours of benefits counseling services to help retirees.



Money

- Is saving money important to your membership?
- The Private Exchange offers an average savings of \$2,706 for 99% of Medicare retirees.
- The remaining 1% may experience a cost increase of approximately \$71.

NEXT STEPS

- Review details with your membership
- Provide questions or comments in writing by October 24 at 9 am
- Please send your responses to alex.smith@memphistn.gov
- The Mayor will make a decision by October 25